

**Iowa Department of Natural Resources
Environmental Protection Commission**

ITEM

14

INFORMATION

TOPIC

Air Quality - Title V Fee Budget Review

The Commission will be asked to consider the SFY 2008 Title V budget in anticipation of setting the annual Title V fee at the May Commission meeting. The Air Quality Bureau budget is summarized in the attachment for information. Expenditures paid from the Title V fee fund are included in the budget. A summary of anticipated revenues is outlined at the end of the budget. A description of all expenditure areas and funding sources is listed below.

The Title V fee is based on the first 4,000 tons of each regulated air pollutant emitted each year from each major stationary source in the state. The fee is used to support the development and administration of activities associated with major sources subject to the Title V Operating Permit Program.

Annually on March 31, sources required to obtain Title V Operating Permits submit to the department annual emissions statements for the previous calendar year. The Department totals these emissions and provides that information to the Commission no later than the May meeting. The Commission will then be asked to set the fee based on the program budget.

Air Quality Funding Sources and Cost Centers - The Air Quality Bureau budget is divided into two primary areas: Air Quality Program and Air Title V Program. Expenditures are divided between multiple expenditure (cost center) accounts and a variety of funding sources as listed in Table 1. The attached spreadsheet consolidates the cost centers into the two primary areas to reflect the total program.

Clean Air Act (CAA) section 105 money is awarded to the department through a Performance Partnership Grant (PPG) with the EPA. The PPG is the financial component of the Performance Partnership Agreement (PPA). The department negotiates the PPG on an annual cycle while the PPA is negotiated on a two-year cycle. The PPA contains the mutually agreed upon goals that the EPA and DNR will work together to achieve during the two year agreement period. For air quality, the tasks that must be accomplished to achieve the agreed upon goals are contained in the 105 work plan, which is an attachment to the PPA. No Title V money is included in the PPG.

Significant changes are anticipated in the ambient monitoring program for particulate matter that is 2.5 microns or smaller (PM 2.5). A new federal ambient air quality standard has been promulgated. New equipment will be needed to meet the specifications of the new standard. EPA is likely to no longer fund portions of the laboratory analysis. In addition to the changes,

EPA's funding is likely to be reduced. The CAA section 103 funds are anticipated to be converted to CAA section 105 funds during the state fiscal year. As indicated in the chart below, CAA section 105 funds require state matching dollars whereas CAA section 103 funds do not.

Table1. Summary of Cost Centers and Funding Sources

Program Area	Expenditures (Cost Center)	Funding Source*
Air Quality Program includes:		
Air Quality central office base program	7220	CAA 105 & GF
Air Quality field office base program	7419	CAA 105 & GF
IT Support	3510	CAA 105 & GF
PM 2.5 Monitoring network	7240	CAA 103
Air Title V includes:		
Legal Services	1430	TV Fees
Title V Information & Education	1556	TV Fees
Title V Operating Permit Program	7230	TV Fees
Title V Field Program	7421	TV Fees
IT Support	3520	TV Fees

- * CAA 105 – Clean Air Act section 105 grant with a state match required
 CAA 103 – Clean Air Act section 103 grant with no state match required
 GF – Legislatively appropriated General Funds
 TV Fees – Title V fees

Carryover Funds - The Bureau has been working each year since the program's inception to develop a budget that more accurately reflects the amount of funding required to implement the Title V program. The Air Quality Bureau budget is planned each year with approximately a one percent reserve. This is considered to be an adequate margin to offset factors such as higher than expected expenses, changes in the actual emissions reported, and reimbursement of fees to companies that may have over paid Title V fees in previous years.

Title V Budget Changes – The department is projecting that the statewide calendar year emissions for 2006 will be very close to the average of the last three emissions years or 236,000 tons. Actual emissions data will be used in calculating the final Title V fee for the May Commission meeting.

The department met with a representative group of the core Title V fee payers on February 1, 2007. The fee payers reviewed the draft budget and supported the changes listed below.

Details on where changes to the budget are being proposed are listed in the attached spreadsheet in the "Notes" column.

1. Personnel and indirect costs: As the personnel costs have not been finalized, the department is using a five percent increase across the board for all FTE positions that are not capped. The indirect costs will increase from 12.29 percent to 13.38 percent in SFY 2008. The allocation of IT staff has been adjusted to reflect the needs of the Bureau.

2. Professional Services:

- The department plans to contract with a computer consultant to continue working on SPARS maintenance issues.
- The Linn and Polk County Local Air Quality Programs have increased personnel and benefits costs.
- The UHL contract amount reflects an increase due to increased personnel costs. The contract also increase by \$260,000 to accommodate changes in the PM 2.5 monitoring.
- The UNI small business assistance agreement amount reflects a small increase to cover increases in personnel costs.
- An expense for laboratory analysis related to PM 2.5 has also been added. This expense was previously provided from EPA.

Total Title V Fund expenditures are proposed to be increased from the current SFY 2007 budget levels by 7% or \$685,000 in the SFY 2008 budget. The fee is proposed to increase by 3.8%, from \$32.75 to \$34.00.

Governor Culver proposes to continue the Livestock Air Monitoring program. The Governor's Budget also includes a proposal to increase support to meet new federal match requirements.

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February 9, 2007

Cost Center & Expenditure Category	Activity	SFY 2006 Actual	SFY 2007 Budget	SFY 2007 Projected Expenditures	Estimated SFY 2008 Budget	Difference 08-07	Notes
Title V Cost Centers: 1430, 1556, 3520, 7230, 7421							
FTE		59.00	63.00	63.00	61.75		IT staff adjusted to reflect Bureau needs
Personnel	101	4,056,729	4,658,632	4,063,511	4,732,105	73,473	Estimated 5% increase for personnel
Travel, vehicle operation & depreciation		92,410	108,900	95,800	107,400	-1,500	
Supplies		68,002	96,250	62,700	65,850	-30,400	
Communications	401	68,207	70,000	71,400	71,700	1,700	
Rent and Monitoring Utilities		176,443	173,200	177,000	180,000	6,800	Increase in monitoring utility costs
Professional Services	405	2,625,426	2,579,000	2,602,894	3,074,000	495,000	
Computer Consultant Services		[117,562]	[50,000]	[50,000]	[100,000]	[50,000]	SPARS proposal
Linn County local program agreement		[594,975]	[521,847]	[521,847]	[542,351]	[20,504]	Estimated personnel increase
Polk County local program agreement		[499,426]	[512,949]	[512,949]	[522,866]	[9,917]	Estimated personnel increase
Environmental Liaison		[53,761]	[50,000]	[50,000]	[50,000]	[0]	
UNI Small Business Assistance agreement		[428,668]	[439,600]	[439,600]	[457,184]	[17,584]	Estimated personnel increase
UHL Agreement		[871,227]	[968,498]	[968,498]	[1,286,608]	[318,110]	Increase due to PM 2.5 monitoring and personnel costs
Attorney General's Office		[30,000]	[30,000]	[30,000]	[30,000]	[0]	
Lab Analysis		[0]	[0]	[0]	[78,000]	[78,000]	Lab analyses previously funded by EPA
Other		[29,807]	[6,106]	[30,000]	[6,991]	[885]	
Outside services	406	60,123	73,100	61,200	58,300	-14,800	
Advertisement, reimbursements		24,684	18,750	15,600	19,250	500	
Equipment	501	172,235	208,100	330,000	291,000	82,900	Additional equipment for the PM 2.5 monitoring (85K)
Equipment Noninv.	503	85,248	40,900	45,000	46,500	5,600	
Other expenses	602	11,222	11,200	12,200	12,200	1,000	
Indirect charges	999	451,905	557,579	491,160	616,047	58,468	Indirect rate increases from 12.29% to 13.38%
Total		7,892,634	8,595,611	8,028,466	9,274,352	678,740	
Title V							
Total Revenue		8,961,159	8,753,309	9,171,816	9,352,350	599,041	
Balance forward		[1,288,614]	[747,095]	[1,060,125]	[1,143,350]	[396,255]	
Title V fees		[7,419,078]	[7,860,000]	[7,935,167]	[8,024,000]	[164,000]	
Tonnage		234,781	240,000	242,295	236,000	-4,000	Tonnage estimate based on last three years
Fee/ton		31.60	32.75	32.75	34.00	1.25	
Fund interest		[223,939]	[130,000]	[150,000]	[185,000]	55,000	
Under and Over Payments		[29,528]	[16,214]	[26,523]	[0]	-16,214	
Total Expenditures		7,901,034	8,595,611	8,028,466	9,280,965	685,354	
Legal Services (1430) Total		[113,402]	[121,781]	[113,257]	[127,870]	[6,089]	
Air Title V - I&E (1556) Total		[76,668]	[66,594]	[61,250]	[67,077]	[483]	
Air Title V - IT (3520)		[252,290]	[465,359]	[378,064]	[331,522]	-113,837	
Air Title V Program (7230) Total		[6,896,169]	[7,351,885]	[6,940,743]	[8,134,148]	[782,263]	
Air Title V Field Program (7421) Total		[554,103]	[589,992]	[535,172]	[620,348]	[30,356]	
Smoking Tailpipe (7260) Total		[8,400]	[0]	[0]	[0]	[0]	
Revenues - Expenditures		1,060,125	157,697	1,143,350	71,385	-86,312	
Cost Center & Expenditure Category	Activity	SFY 2006 Actual	SFY 2007 Budget	SFY 2007 Budget (Revised Revenue)	Estimated SFY 2008 Budget	Difference 08-07 Revised Revenue	Notes
Grant/General Fund Cost Centers: 3510, 7220, 7240, 7419							
FTE		20.50	18.00	18.00	18.75		One Support FTE added in addition to IT reallocation (.25)
Personnel	101	1,375,979	1,326,961	1,326,961	1,405,788	78,828	Estimated 5% increase for personnel
Travel, vehicle operation & depreciation		20,422	30,600	30,600	31,700	1,100	
Supplies		16,599	31,150	31,150	22,600	-8,550	
Communications	401	13,258	22,000	22,000	72,000	50,000	Proposed video conferencing expense
Rent and Monitoring Utilities		60,862	59,000	59,000	72,000	13,000	
Professional Services	405	1,330,701	1,207,000	1,271,754	1,335,000	63,246	
Linn County Local Program Agreement		[197,425]	[154,756]	[161,652]	[161,652]	[0]	
Polk County Local Program Agreement		[211,038]	[202,925]	[211,038]	[211,038]	[0]	
UHL Agreement		[922,238]	[845,739]	[895,739]	[918,904]	[23,165]	Livestock monitoring is included in this contract
Lab Analysis		[0]	[0]	[0]	[40,000]	[40,000]	Lab analyses previously funded by EPA
Other		[0]	[3,579]	[3,325]	[3,406]	[81]	
Outside services	406	34,246	41,000	41,000	56,000	15,000	
Advertisement, reimbursements		1,968	9,700	9,700	4,200	-5,500	
Equipment	501	78,003	31,000	31,000	270,500	239,500	PM 2.5 monitoring equipment (85K), server consolidation and change in email platform (100K), ongoing monitoring equipment (50K), and ongoing IT hardware needs (35K).
Equipment Noninv.	503	53,335	55,000	55,000	16,000	-39,000	
Indirect charges	999	157,687	163,083	163,083	188,094	25,011	Indirect rate increases from 12.29% to 13.38%
Total		3,143,059	2,976,494	3,041,248	3,473,883	432,635	
PPG (Federal Grant & Match)							
Total Revenue		3,290,639	3,073,637	3,134,992	3,474,620	339,628	
General Fund		[1,288,000]	[1,288,000]	[1,288,000]	[1,288,000]	[0]	
Additional State Support		[309,530]	[275,000]	[275,000]	[600,000]	[325,000]	275K for Livestock and 325K for PM 2.5 monitoring
Unfunded shortfall		[0]	[0]	[0]	[102,000]	[102,000]	
Federal 105 air grant		[1,098,237]	[1,057,210]	[1,098,237]	[1,370,978]	[272,741]	Assumes full funding of federal grants
Federal 103 air grant		[515,260]	[453,427]	[473,754]	[113,642]	-360,112]	Assumes a shift in PM 2.5 monitoring grant
Performance Partnership Grant (PPG)		[79,612]	[0]	[0]	[0]	[0]	
Total Expenditures		3,143,059	2,976,494	3,041,248	3,473,883	432,635	
PPG - IT (3510)		[0]	[36,618]	[36,618]	[28,682]	-(7,936)	
Air Quality Program (7220) Total		[2,073,227]	[2,157,229]	[1,995,229]	[2,784,563]	[789,334]	
PM 2.5 Monitoring (7240) Total		[477,563]	[247,000]	[473,754]	[110,000]	-363,754]	
Air Quality Field Program (7419) Total		[282,739]	[260,647]	[260,647]	[275,638]	[14,991]	
Livestock Air Monitoring (31HA) Total		[309,530]	[275,000]	[275,000]	[275,000]	[0]	
Revenues - Expenditures		147,580	97,143	93,744	737	-93,007	
Total Bureau Budget		11,044,092	11,572,105	11,069,714	12,479,848	907,743	
Total Bureau FTE		79.50	81.00	81.00	80.50	-0.50	